

## Message Text

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65-61

ACTION ARA-10

INFO OCT-01 ISO-00 AID-05 CIAE-00 COME-00 EB-07 FRB-03

INR-07 NSAE-00 USIA-06 TRSE-00 XMB-02 OPIC-03 SP-02

CIEP-01 LAB-04 SIL-01 OMB-01 NSC-05 SS-15 STR-04

CEA-01 H-02 L-02 PA-01 PRS-01 AGR-05 INT-05 /094 W

----- 071424

R 082235Z MAY 75

FM AMEMBASSY MANAGUA

TO SECSTATE WASHDC 6929

INFO AMEMBASSY GUATEMALA

AMEMBASSY SAN JOSE

AMEMBASSY SAN SALVADOR

AMEMBASSY TEGUCIGALPA

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E. O. 11652: N/A

TAGS: ETRD, EAGR, ECRE, NU

SUBJECT: OVER INVENTORY CAUSES RESTRICTIONS ON IMPORTS OF  
FERTILIZERS; NEW DATA ON STEEL INVENTORY

1. IN 1973 AND 1974 AS A MATTER OF POLICY, GON ENCOURAGED  
THE STOCKPILING OF VITAL FERTILIZERS IN SITUATION OF SHORTAGES  
AND RISING PRICES. AN INVENTORY OF BETWEEN \$30 AND  
\$40 MILLION (A YEARS SUPPLY) WAS AMASSED, PRINCIPALLY BY  
THE BANCO NACIONAL. SHORTAGES HAVE EVIDENTLY EASED AND  
PRICES OF FERTILIZERS ARE FALLING WHICH GIVES AN INCENTIVE  
TO USERS TO IMPORT FERTILIZERS DIRECTLY RATHER THAN PURCHASE  
FROM THE HIGHER COST NATIONAL STOCKPILE.

2. PERHAPS BURNED BY THE REACTION TO THE EMBARGO ON  
IMPORTS OF STEEL REINFORCING BARS (MANAGUA'S 1630 AND 1657)  
BECAUSE OF EXCESSIVE INVENTORIES, THE GON HAS ADOPTED A  
MUCH MORE SOPHISTICATED AND SO FAR UNCHALLENGED POLICY IN  
LIMITING FERTILIZER IMPORTS. THE CENTRAL BANK HAS WITHDRAWN  
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ITS DISCOUNT FACILITY FOR COMMERCIAL BANKING LENDING FOR

FERTILIZER IMPORTS AND IF THE BANKS CONTINUE THIS FINANCING IT WILL BE WITHIN THE CONFINES OF SEVERE LIMITS SET ON ALL COMMERCIAL LENDING (MANAGUA 1363). IT IS UNLIKELY THAT THE BANKS WILL EXTEND CREDIT FOR THIS PURPOSE GIVEN THE CLEAR ATTITUDE OF THE GON AND CREDIT RESTRAINTS.

3. CHAMBER OF INDUSTRY SOURCE SAYS LEGISLATIVE STUDY OF STEEL RECONSTRUCTION BAR (REBAR) IMPORTS SHOW THAT REBAR MANUFACTURERS HAVE AN INVENTORY OF 20,000 TONS OF RAW MATERIAL AND REBARS, TRADITIONAL IMPORTERS 5,000 TONS OF REBARS AND NON-TRADITIONAL IMPORTERS 35,000 TONS. MUCH OF THIS LAST CATEGORY, THE SOURCE SAYS, IS ALLEGED TO HAVE BEEN FINANCED BY THE BORROWINGS FROM THE DEVELOPMENT AGENCY, INFONAC, AND THE BANCO NACIONAL.  
SHELTON

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NNN

## Message Attributes

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